



# COMMISSION ON INSURANCE

## COUNTY OF LOS ANGELES

### MINUTES

Meeting of April 10, 2003  
830 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Scott J. Svonkin  
**Chairperson**

Daniel Falcon  
**Vice-Chairperson**

Barry R. Binder  
William K. Callagy  
Michael G. Cheung  
Rickey Ivie  
Don Lee  
Curren D. Price, Jr.  
Rose Reets  
Patricia Torres

**Commissioners Present:** Barry Binder, William Callagy, Michael Cheung, Dan Falcon, Curren Price, Rose Reets, Scott Svonkin

**Commissioners Absent:** Rickey Ivie, Don Lee, Patricia Torres

### CALL TO ORDER

Chairperson Svonkin noting a quorum called a meeting to order at 10:30 a.m.

### APPROVAL OF MINUTES OF FEBRUARY 13, 2003

On motion of Commissioner Falcon, seconded by Commissioner Binder, the Commission unanimously approved the minutes of February 13, 2003.

### CHAIRPERSON'S REPORT

Chairperson Svonkin reported he and Commissioners Lee and Reets met with State Insurance Commissioner Garamendi at his Los Angeles office to discuss Commission goals and Commissioner Garamendi's consumer education projects.

The Commission's Sunset Review was completed and the County Audit Committee is recommending the Board of Supervisors extend the review date to December 31, 2005.

Chairperson Svonkin stated that SB 1427, which the Commission supported last year, was signed into law at the end of the legislative session.

### DISCUSS WORKERS COMPENSATION

Commissioner Callagy provided an overview of workers' compensation issues. The State is facing a workers' compensation crisis. This mandated insurance covers work related injuries and diseases providing disability income and rehabilitation. The program was initially designed to protect workers and legal fees are included as part of the settlement. Currently, 45% of cases are litigated. The State Fund provides a base package for companies unable to obtain worker compensation through private insurers. Some insurers have withdrawn from the market, placing stress on the State Fund. Commissioner Callagy suggested that the State needs legislation addressing fraud, litigation, benefit schedules and administration of worker's compensation. Commissioner Callagy recommended the

Commission invite the State Insurance Commissioner, the Director of the State Disability Fund, a representative from the WCIRB (Workers Compensation Insurance Rating Bureau), the Workers Compensation Institute, and any and all business employers within Los Angeles County to discuss this issue in depth. In addition, the Commission should review and endorse legislation to make the necessary corrections. Chairperson Svonkin noted item 4g on today's agenda addresses workers compensation fraud.

Commissioner Falcon requested staff ask a representative from the Chief Administrative Office to attend a Commission meeting to discuss the County's self-insurance of workers' compensation.

Chairperson Svonkin stated that the Commission was established to advise the Board of Supervisors on insurance issues involving Los Angeles County residents. He stated that this is a State issue and he was not sure of the Commission's role in this issue.

Commissioner Price suggested a forum be set up with County businesses to discuss workers compensation issues and Commissioner Binder suggested narrowing the focus in order to clearly define the issue and potentially frame a solution.

Chairperson Svonkin discussed the need to acquire additional information and invite representatives affiliated with this issue to come and discuss and provide testimony before a special meeting of the Commission.

**On motion of Commissioner Falcon, seconded by Commissioner Binder, the Commission unanimously approved establishing a subcommittee chaired by Commissioner Callagy to set up a special meeting.**

### **LEGISLATIVE REVIEW**

AB1 36 (Kehoe) regarding Workers' Compensation: Disability: Leave of Absence. The bill provides that police officers, sheriffs, or firefighters are entitled to a leave of absence without loss of salary while disabled by injury or illness arising out of and in the course of employment. **This item was continued to a future meeting to allow further review.**

AB 857 (Frommer) Major Risk Medical Insurance Program. This bill requires the Board to seek federal funding for high risk health insurance pools pursuant to the Federal Trade Act of 2002. The bill would provide that individuals who are eligible for tax credits under that federal law would be eligible to purchase health insurance through the program. **On motion of Commissioner Binder, seconded by Commissioner Reets, the Commission unanimously approved requesting the Chief Administrative Office examine AB 857 (Frommer).**

AB 995 (Ridley-Thomas) Insurance Policies: Unfair Practices. This bill would make technical, non-substantive changes to the existing law, except as specified, "no admitted insurer shall refuse to insure, cancel, or issue under conditions less favorable than those

given in other comparable cases, certain property and liability insurance to any person by reason of the marital status, sex, race, color, religion, national origin or ancestry of the person, nor shall any factor, other than marital status, of itself constitute a condition or risk resulting in a higher rate, premium, or charge for the insurance.” **On motion of Commissioner Binder, seconded by Commissioner Price, the Commission unanimously approved requesting the Chief Administrative Office examine AB 995 (Ridley-Thomas).**

AB 1727 (Vargas) Insurance: cancellation: notice. This bill would change the notice requirement for cancellation of specified property insurance policies to at least 20 days and at least 10 days’ notice if cancellation is for nonpayment of premiums. **On motion of Commissioner Falcon, seconded by Commissioner Price, the Commission unanimously approved requesting the Chief Administrative Office examine AB 1727 (Vargas) and recommended sending a letter of support for the bill provided it is amended to reflect a 30 day notice.**

SB 64 (Speier) Regarding Homeowners’ Insurance. This bill would amend a provision in the law regarding unfair methods of competition and deceptive acts in the business of insurance canceling, refusing to renew, or refusing to make a policy offer in violation of specified provisions. This bill would also prohibit any insurance institution/agent from refusing to offer or renew coverage on a property because of an inquiry about policy coverage or notification of a loss by the insured to an insurer when that notification is not intended as a claim under the policy.

Robert Devereux, Assistant Manager Public Affairs, State Farm Insurance stated the concern of the industry that there should be less regulation and that the climate for the insurance industry in California is not healthy. The Personal Insurance Federation is opposed to this bill. The industry should serve the customer and not be mandated through legislation.

Chairperson Svonkin inquired about the interpretation of the wording of the bill by the Insurance Federation and the Commissions interpretation. The key issue of the bill dealt with canceling a policy due to a loss, whereas, the Federation feels that it covers all participants.

Commissioner Falcon inquired if State Farm used ‘credit scoring’ and Mr. Devereux stated that the company does not. Mr. Devereux reported that his company uses other factors to evaluate the potential risk of a policy. **On motion of Commissioner Binder, seconded by Commissioner Reets, the Commission unanimously approved requesting the Chief Administrative Office examine SB 64 (Speier).**

SB 333 (Romero) regarding Automobile Insurance: Uninsured Motorists: Cause of Action. Existing law requires bodily liability insurance to cover liability arising from ownership, maintenance, or use of a motor vehicle to include uninsured motorist coverage. It also

states that no cause of action shall accrue to an insured under this coverage unless, within one year from the date of the accident, (1) suit has been filed against the uninsured motorist, (2) agreement as to the amount due under the policy has been concluded, or (3) the insured has formally instituted arbitration proceedings. This bill would increase the time within which one of these actions occurred to two years from the accident date. **On motion of Commissioner Falcon, seconded by Commissioner Binder, the Commission unanimously approved requesting the Chief Administrative Office examine SB 333 (Romero).**

SB 354 (Speier) Regarding Workers' compensation insurance: fraud: limits. Existing law has a maximum fine of \$50,000 for knowingly making specified false or fraudulent statements in obtaining compensation under or reducing the premium of a worker's compensation insurance policy. This bill would raise the maximum fine to \$100,000. **This item was continued to a future meeting to allow for further review.**

#### **DISCUSS ALTERNATIVE APPROACHES TO ADDRESS PERIODS OF MARKET UNAVAILABILITY OF HOMEOWNERS INSURANCE COVERAGE**

Chairperson Svonkin stated the Commission discussed working with the Board of Supervisors to recommend a bill for next session that would allow the State to offer insurance when market factors are such that homeowners insurance is not widely available. The plan is to establish a subcommittee to hold hearings prior to the next legislative session and prepare this legislation. **This item is continued to the next meeting.**

#### **COMMITTEE AND TASK FORCE UPDATES AND PLANNING**

Chairperson Svonkin requested that the committees and task forces consider meeting to review their missions and discuss issues before the end of the year.

#### **MATTERS NOT ON POSTED AGENDA (To be placed on the agenda for discussion at a future meeting)**

There were none.

#### **PUBLIC COMMENTS**

There were none.

#### **ADJOURNMENT**

There being no further business the meeting was adjourned at 11:28 a.m.

**ATTENDANCE**

Mary Callagy

Robert Devereux, Assistant Manager Public Affairs, State Farm Insurance

Martha Littlefield, Executive Office, Board of Supervisors

Ken Wales, Executive Office, Board of Supervisors